

KEPPEL OPP'N EXH. 108

From: Blair Thomas </O=FIRST ORGANIZATION/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=R. BLAIR THOMAS>
To: Niranjana Ravindran; Derek Lemke
CC: Kristina Lal; Marcel Abe; Gabriel Meira
Sent: 2/18/2015 9:12:35 AM
Subject: RE: Sete Brasil
Attachments: 2015-02-18 Sete Brasil Update.pptx

Update response attached.



GLOBAL ENERGY PARTNERS

R. Blair Thomas > Chief Executive Officer > blair.thomas@ejopartners.com

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From: Niranjana Ravindran
Sent: Tuesday, February 17, 2015 9:35 AM
To: Blair Thomas; Derek Lemke
Cc: Kristina Lal; Marcel Abe; Gabriel Meira
Subject: RE: Sete Brasil

Blair-

Attached is a draft of our response to Adico for your review.

Thanks

From: Derek Lemke
Sent: Tuesday, February 17, 2015 9:14 AM
To: Niranjana Ravindran
Cc: Kristina Lal; Marcel Abe; Gabriel Meira
Subject: RE: Sete Brasil

Niranjana,

I think this is fine and responsive but would go ahead and add the final bullet point. No need to do it separately. Please forward to Blair for his review.

D

From: Niranjana Ravindran
Sent: Monday, February 16, 2015 4:18 PM
To: Derek Lemke
Cc: Kristina Lal; Marcel Abe; Gabriel Meira
Subject: RE: Sete Brasil

Derek-

Attached is a high level response to the questions posed by Adico.

The only question that is not addressed is the last question – “How many vessels does EIG expect can be sustained going forward given potential changes/push-backs in the drilling programme?” My answer to this is that currently our expectation is that all 29 rigs will be delivered and used in the pre-salt program as the pre-salt programs are still economic, just not the huge cash cows there were at \$100 oil. This may be best included in the cover email.

Please let me know your thoughts, and if you think we should expand upon the answers herein. Wanted to make sure you were comfortable before forwarding to Blair.

Thanks

Niranjana

From: Derek Lemke
Sent: Thursday, February 12, 2015 10:42 PM
To: Niranjana Ravindran
Subject: Re: Sete Brasil

Mid week next week at the latest.

D

Derek Lemke-von Ammon
(415) 810-2780

On Feb 12, 2015, at 7:40 PM, Niranjana Ravindran <Niranjana.Ravindran@eigpartners.com> wrote:

Derek, the Brazil team has gone completely silent on me. Assume they are busy with Blair. Do you have a timing for a response to Abu Dhabi?

From: Derek Lemke
Sent: Thursday, February 12, 2015 10:59 AM
To: Blair Thomas
Cc: Niranjana Ravindran; Kevin Lowder; Marcel Abe
Subject: Re: Sete Brasil

Ok

Derek Lemke-von Ammon
(415) 810-2780

On Feb 12, 2015, at 9:42 AM, Blair Thomas <Blair.Thomas@eigpartners.com> wrote:

Please do not send anything without me reviewing first.

Sent from my iPhone

On Feb 12, 2015, at 11:27 AM, Derek Lemke <Derek.Lemke@eigpartners.com> wrote:

I know you guys are tied up with Prumo but getting a comprehensive answer pulled together is a priority given Blair's planned visit. Nirnanjan, will you coordinate?

D

Derek Lemke-von Ammon
(415) 810-2780

Begin forwarded message:

From: Dhruv Narain <dnarain@adcouncil.ae>
Date: February 12, 2015 at 6:57:03 AM CST
To: "Derek Lemke (Derek.Lemke@eigpartners.com)" <Derek.Lemke@eigpartners.com>
Cc: "Blair Thomas (Blair.Thomas@eigpartners.com)" <Blair.Thomas@eigpartners.com>, Ahmed Ateeq Al Mazrouei <amazrouei@adcouncil.ae>, Syhem Messai <smessai@adcouncil.ae>, David Emes <demes@adcouncil.ae>, Ghalya Yousef Alabdulla <[galabdulla@adcouncil.ae](mailto:gabalabdulla@adcouncil.ae)>
Subject: Sete Brasil

Hi Derek,

Thanks very much to Blair and yourself for addressing Sete on the call yesterday. This was very helpful and greatly appreciated given the publicity around the situation.

We are currently undertaking an in-depth risk analysis of our portfolio and have to present our findings to IC on the 23rd (conveniently, 4 hours after we see Blair!). Given the level of publicity on Petrobras and Sete, we anticipate considerable discussion on this. To that end, we would be very grateful if you would be able to answer some specific questions on Sete please. I understand that many of these may be difficult to answer at this stage but we would appreciate your estimates to the extent possible so that we will be able to provide a full picture as possible:

1. Please can you provide the latest timing estimate of construction completion by shipyard and vessel (latest estimate versus original plan).
2. Please can you provide the original, current and expected sources and uses table.
3. What is the total amount of loans (with tenors) outstanding?
4. We understand there is a R5bn equity guarantee from the Government – is this the same as the 'FGCN' (Fund to Guarantee Naval Construction) which was to be created and made available by the Government to reimburse the senior lenders in case of delays or cost overruns?
5. Do you have an estimate of the current financial impact from the delays in the L-T financing, delays in the construction, any penalties imposed upon Sete etc? What level of valuation mark-down should we expect?
6. How many vessels does EIG expect can be sustained going forward given potential changes/push-backs in the drilling programme?

Thanks very much,

Warm Regards,

Dhruv

Dhruv Narain
Principal

Global Infrastructure & Natural Resources

P.O. Box 61999, Abu Dhabi

United Arab Emirates

Phone: +971 2 6115811; Mobile: +971 506410121

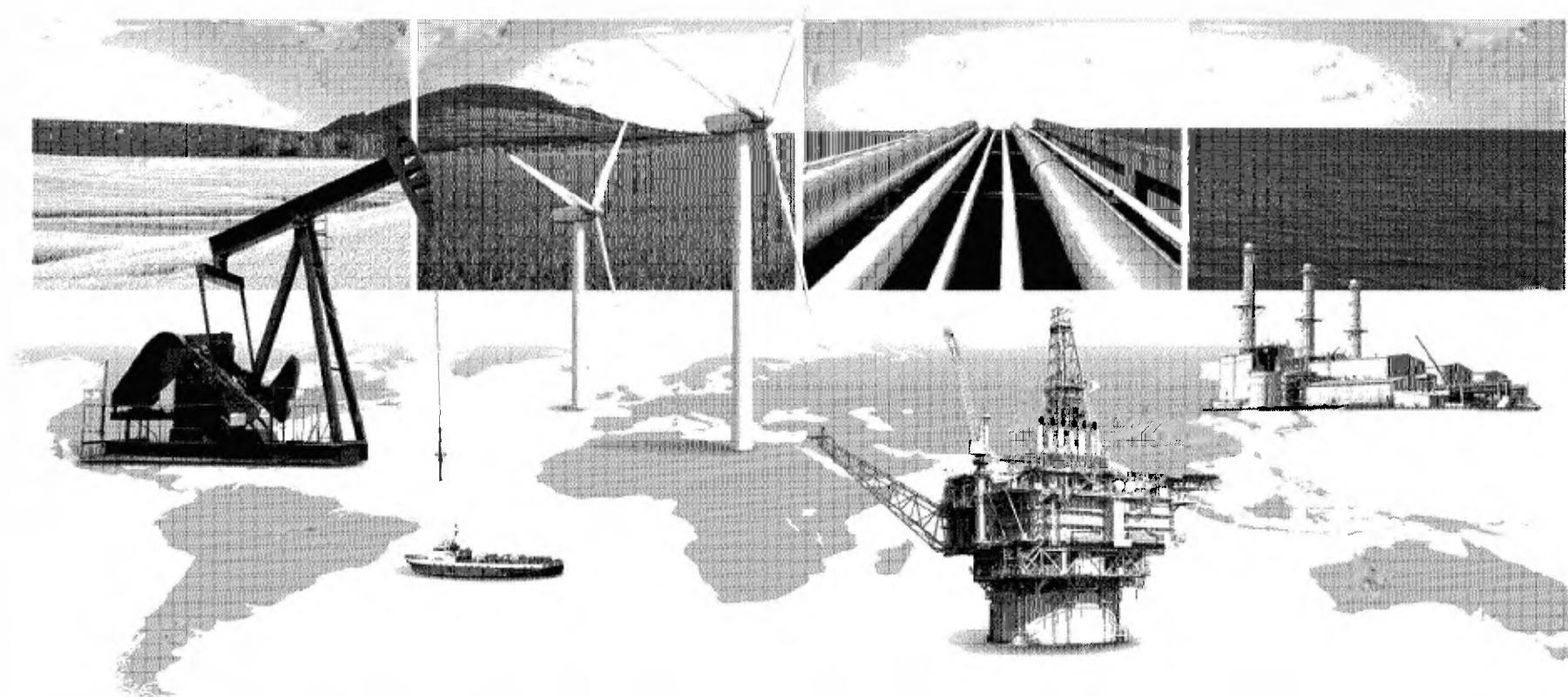
dnarain@adcouncil.ae; www.adcouncil.ae

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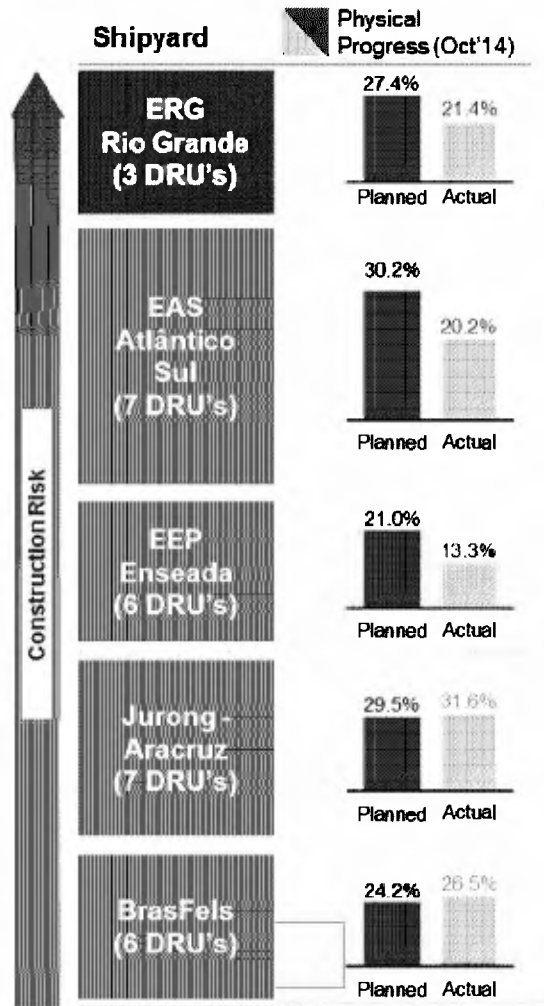
Sete Brazil



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Vessel Construction

- As of October 2014, actual construction progress at 23.0% vs. planned 26.6%



Operator	Shipyard	Charter Date	Expected CoD	Δ (months)
	Rio Grande	Aug-16	Jan-17	-4.9
	Rio Grande	Feb-18	Aug-17	6.3
	Rio Grande	Oct-18	Jun-18	3.7
	Enseada	Feb-20	Jun-19	7.8
	Enseada	Oct-20	Jan-20	8.5
	Jurong	Jun-15	Dec-15	-6.2
	EAS	Mar-16	Jan-17	-10.6
	EAS	Nov-16	May-17	-6.1
	EAS	Jul-17	Sep-17	-1.8
	EAS	Mar-18	Jan-18	2.2
	EAS	Nov-18	Aug-18	2.3
	EAS	Jul-19	Dec-18	6.4
	Jurong	Jul-16	Oct-16	-3.1
	Jurong	Jan-18	Dec-17	-1.3
	Jurong	Jan-20	Mar-19	10.1
	Jurong	May-17	Mar-17	1.7
	Jurong	May-19	Sep-18	8.3
	Jurong	Sep-20	Jan-20	8.4
	Brasfels	May-17	Jan-17	3.7
	Brasfels	Sep-18	Apr-18	5.3
	Enseada	Aug-16	May-17	-9.3
	Enseada	Jun-17	Feb-18	-8.1
	Enseada	Oct-18	Oct-18	-0.1
	Enseada	Jun-19	Dec-18	6.1
	Brasfels	Jan-20	Aug-19	5.2
	Brasfels	Jul-16	Feb-16	5.2
	Brasfels	Jan-18	Aug-17	5.1
	Brasfels	May-19	Dec-18	5.2
To be defined	EAS	N/A	Aug-19	

Source: Company report released on Nov 25, 2014.

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Sources & Uses

Sources & Uses at EIG investment

Original S&U Table for Sete Brasil Project (29 DRU's)

Sources			Uses		
	US\$	%		US\$	%
EPC contracts	20.99	82%	BNDES	12.75	50%
FX variation of EPC contract	1.56	6%	ECAs	5.10	20%
Pre-operational costs	0.97	4%	Others (Finisa/Bonds/others)	2.55	10%
Contingencies	0.72	3%	Total Debt	20.40	80%
CMA - Petrobras	0.71	3%			
Insurance	0.24	1%			
FGCN	0.15	1%	Equity Sete Brasil	3.37	13%
Financing costs	0.16	1%	Equity Class B	0.81	3%
			FI-FGTS	0.93	4%
			Total Equity	5.10	20%
TOTAL	25.50	100%	TOTAL	25.50	100%

Updated Sources & Uses

Expected S&U Table for Sete Brasil Project (29 DRU's)

Sources			Uses		
	US\$	%		US\$	%
EPC contracts	22.57	86%	BNDES	9.12	35%
Adjustments to EPC contracts	4.21	16%	FMM	4.31	16%
FX variation of EPC contract	-5.46	-21%	ECAs	0.55	2%
Pre-operational costs	1.63	6%	Bancos Comerciais	2.17	8%
Contingencies	0.56	2%	BB Facility	1.04	4%
CMA - Petrobras	0.48	2%	FINISA	1.52	6%
CMA - Operators	0.43	2%	Others (Finisa/Bonds/others)	0.90	3%
CMA - Sete Brasil	0.10	0%	Total Debt	19.60	74%
Insurance	0.47	2%			
FGCN	0.19	1%	Others	0.01	0%
Financing costs	1.09	4%	Equity Sete Brasil	4.776	18%
			Equity Class B	1.085	4%
			FI-FGTS	0.9	3%
G&A and others	0.06	0%	Total Equity	6.71	25%
Cash	0.01	0%			
TOTAL	26.32	100%	TOTAL	26.32	100%

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Sete Brazil Update

Bridge Loans

- The Company currently has 6 Bridge Loan Facilities in place with 9 financial institutions totaling US\$4.9 billion. All the Bridge Loans mature between February and May 2015. The Company is in the process of seeking to extend the Bridge Loans

Long-Term Financing

- Recent issues at Petrobras has resulted in delays to the long term financing as lenders including BNDES continue to evaluate the situation
- Potential impact include:
 - Potential call of the remaining committed capital over the next months (earlier than anticipated)
 - Delay in payments to shipyards due to the lack of funds
 - Penalties payable to the shipyards/suppliers
 - Increased financial expenses (bridge loans) during construction
 - Decreased IRR

FGCN: Government Guarantee

- 50% of the principal of each financing transaction guaranteed by the FGCN

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Sete Brazil Update

EIG Expectation

- The Petrobras corruption scandal has paralyzed key aspects of the industry and makes it difficult to predict how things will ultimately be resolved. Sete, in our view, is a victim of fraud, although few parties in Brazil seem to have clean hands.
- The fundamental reason for the creation of Sete – to facilitate the construction and financing of deepwater drillships for use by Petrobras, and capitalizing those assets in an off-balance sheet format – is as strong today as the day that Sete was formed. As such, and reflecting the fact that multiple drillships are in advancing stages of construction, it seems reasonable to assume that some form of political solution will be reached that frees Sete to complete its mission.
- A key structural protection at the time of the investment was the involvement of “Brazil Inc.”, meaning Petrobras, key pension plans and financial institutions and shipyards that currently employ 180,000 Brazilians. The current crisis will test whether this protection is adequate.
- One outcome currently under discussion is a right-sizing of the key contracts (both construction and charter) which would involve impairments by all involved, a reduction in the number of ships to be delivered (20 being a reasonable target) and the provision of long-term financing by BNDES. It is too early to tell whether this, or other, solutions will be possible in the current political climate.

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